

Illustrative Reports

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ILLUSTRATIVE REPORTS

Example 1 - Unqualified Report

[DATE]

To (Name), Inspector General
(Name of Agency)

We have reviewed the system of quality control for the audit function of [Name of the OIG] in effect for the year ended June 30, 19XX. Our review was conducted in conformity with standards and guidelines established by the President's Council on Integrity and Efficiency (PCIE). We tested compliance with the OIG's system of quality control to the extent we considered appropriate. These tests included a review of audits.

In performing our review, we have given consideration to the policy statement on quality control and external reviews, dated [xxx] issued by the PCIE. That statement indicates that an OIG's quality control policies and procedures should be appropriately comprehensive and suitably designed to provide reasonable assurance that the objectives of quality control will be met. It also recognizes that the nature, extent and formality of an OIG's system of quality control depends on various factors such as the size of the OIG, the location of its offices, the nature of the work and its organizational structure.

In our opinion, the system of quality control for the audit function of [Name of OIG] in effect for the year ended June 30, 19XX, has been designed in accordance with the quality standards established by the PCIE and was being complied with for the year then ended to provide the OIG with reasonable assurance of conforming with professional standards in the conduct of its audits.

Signature

ILLUSTRATIVE REPORTS

Example 2 - Report Qualified for Design Deficiency

[Date]

To (Name), Inspector General
(Name of Agency)

We have reviewed the system of quality control for the audit function of [Name of the OIG] in effect for the year ended June 30, 19XX. Our review was conducted in conformity with standards and guidelines established by the President's Council on Integrity and Efficiency (PCIE). We tested compliance with the OIG's system of quality control to the extent we considered appropriate. These tests included a review of audits.

In performing our review, we have given consideration to the policy statement on quality control and external reviews, dated [xxx] issued by the PCIE. That statement indicates that an OIG's quality control policies and procedures should be appropriately comprehensive and suitably designed to provide reasonable assurance that the objectives of quality control will be met. It also recognizes that the nature, extent and formality of an OIG's system of quality control depends on various factors such as the size of the OIG, the location of its offices, the nature of the work and its organizational structure.

As discussed in our letter of comments under this date, our review disclosed that the OIG's quality control policies and procedures for audit performance regarding audit planning were not appropriately designed.

In our opinion, except for the deficiency described in the preceding paragraph, the system of quality control for the audit function of [Name of OIG] in effect for the year ended June 30, 19XX, has been designed in accordance with the quality standards established by the PCIE and was being complied with for the year then ended to provide the OIG with reasonable assurance of conforming with professional standards in the conduct of its audits.

Signature

ILLUSTRATIVE REPORTS

Example 3 - Report Qualified for Noncompliance With Quality Control Policies and Procedures

[DATE]

To (Name), Inspector General
(Name of Agency)

We have reviewed the system of quality control for the audit function of [Name of the OIG] in effect for the year ended June 30, 19XX. Our review was conducted in conformity with standards and guidelines established by the President's Council on Integrity and Efficiency (PCIE). We tested compliance with the OIG's system of quality control to the extent we considered appropriate. These tests included a review of audits.

In performing our review, we have given consideration to the policy statement on quality control and external reviews, dated [xxx] issued by the PCIE. That statement indicates that an OIG's quality control policies and procedures should be appropriately comprehensive and suitably designed to provide reasonable assurance that the objectives of quality control will be met. It also recognizes that the nature, extent and formality of an OIG's system of quality control depends on various factors such as the size of the OIG, the location of its offices, the nature of the work and its organizational structure.

As discussed in our letter of comments under this date, our review disclosed that the OIG's quality control policies and procedures for audit performance regarding timely supervision of work were not followed.

In our opinion, except for the deficiency described in the preceding paragraph, the system of quality control for the audit function of [Name of OIG] in effect for the year ended June 30, 19XX, has been designed in accordance with the quality standards established by the PCIE and was being complied with for the year then ended to provide the OIG with reasonable assurance of conforming with professional standards in the conduct of its audits.

Signature

ILLUSTRATIVE REPORTS

Example 4 - Adverse Report

[DATE]

To (Name), Inspector General
(Name of Agency)

We have reviewed the system of quality control for the audit function of [Name of the OIG] in effect for the year ended June 30, 19XX. Our review was conducted in conformity with standards and guidelines established by the President's Council on Integrity and Efficiency (PCIE). We tested compliance with the OIG's system of quality control to the extent we considered appropriate. These tests included a review of audits.

In performing our review, we have given consideration to the policy statement on quality control and external reviews, dated [xxx] issued by the PCIE. That statement indicates that an OIG's quality control policies and procedures should be appropriately comprehensive and suitably designed to provide reasonable assurance that the objectives of quality control will be met. It also recognizes that the nature, extent and formality of an OIG's system of quality control depends on various factors such as the size of the OIG, the location of its offices, the nature of the work and its organizational structure.

As discussed in our letter of comments under this date, our review disclosed several failures to adhere to professional standards in considering internal control and in applying other generally accepted government auditing standards. Our review disclosed that the OIG's quality control policies and procedures were not appropriately designed because they did not provide proper guidance for the auditor's consideration of internal control. In addition, our review disclosed failures to review audit working papers in the manner required by OIG policy.

In our opinion, because of the significance of the matters discussed in the preceding paragraph, the system of quality control for the audit function of [Name of OIG] in effect for the year ended June 30, 19XX, has not been designed in accordance with the quality standards established by the PCIE [and was not being complied with for the year then ended, (include when there are compliance as well as design deficiencies)] and did not provide the OIG with reasonable assurance of conforming with professional standards in the conduct of its audits.

Signature

ILLUSTRATIVE REPORTS

Example 5 - Letter of Comments

[DATE]

To (Name), Inspector General
(Name of Agency)

We have reviewed the system of quality control for the audit function of [Name of OIG] (the OIG) in effect for the year ended June 30, 19XX, and have issued our report thereon dated August 31, 19XX (, which was qualified as described therein).¹ This letter should be read in conjunction with that report.

Our review was for the purpose of reporting upon the OIG's system of quality control and its compliance with that system. Our review was conducted in conformity with standards and guidelines established by the President's Council on Integrity and Efficiency (PCIE). Our review would not necessarily disclose all weaknesses in the system or all instances of noncompliance with it because our review was based on selective tests.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of quality control. In the performance of most control procedures, departures can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Projection of any evaluation of a system of quality control to future periods is subject to the risk that one or more procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate. As a result of our review, we have the following comments which were considered in determining our opinion set forth in our report dated August 31, 19XX. This letter does not change that report.

¹ This phrase should be used only if a qualified or adverse report is being issued, and it should be tailored to fit the circumstances.

ILLUSTRATIVE REPORTS

Example 5 - Letter of Comments (continued)

Matters That Resulted in a Qualified Report²³

Finding 1. Audit Performance - Audit Program Not Required⁴

The OIG's quality control policies and procedures do not require nor provide guidance on the preparation of an audit program. The preparation of an audit program is required by *Government Auditing Standards*. Consequently, audit programs were not prepared on five of ten audits reviewed. As a result, these audits were not conducted in accordance with *Government Auditing Standards*. Without an audit program that is agreed to in the planning process, the OIG may lack assurance that all work necessary to meet the audit objectives has been performed.

Recommendation - The OIG's quality control policies and procedures should be revised to require the preparation of an audit program for every audit and guidance on (1) the contents of the audit program, (2) the approval process and (3) updating the program based on work performed.

Finding 2. Audit Performance - Timely Review of Work

The OIG's policies and procedures require that supervisors be involved and review work on an on-going basis throughout the audit. On four of ten audits reviewed, the supervisory review of the work occurred at the end of the audit. According to the supervisors involved, this occurred because other ongoing audits, which had higher priority at the time, demanded their attention. When review of the work is delayed until the end of the audit, there is a greater risk that problems with the audit work will not be identified until it is too late to correct.

² This caption should be used only if a qualified or adverse report is being issued, and it should be tailored to fit the circumstances.

³ The findings presented herein are for the purpose of illustrating the form of the letter of contents. They are not intended to illustrate complete presentations of findings. Other information, such as, in which or how many offices a condition was found, the cause of a problem and the potential or actual affect may need to be included for a complete presentation of the findings.

⁴ For purpose of this illustration, the element of quality control (e.g., audit performance) to which the finding relates is included in the title of the finding. It is not required. It also is permissible to reflect it in other ways (e.g., subcaptions over the finding or groups of findings).

ILLUSTRATIVE REPORTS

Example 5 - Letter of Comments (continued)

Recommendation - OIG management should review the pattern of assignments to the supervisors involved and determine if the workload was such that the supervisors could have reasonably been expected to comply with the policy of timely review of audit work for all of the audits their supervision. If it is determined that the workload precluded the timely review of work, the OIG should develop a system for insuring that future assignment of work is spread out in such a way that it can be managed in accordance with OIG policy. If it is determined that the supervisors could reasonably have been expected to comply with OIG policy for timely review, training should be provided on workload management.

Matters That Did Not Result in a Qualified Report⁵

Finding 2. Independence - Required Checklist Not Completed.

For every audit, the OIG's quality control policies and procedures require each member of the audit team to complete a checklist designed to help identify personal and external impairments to independence and document compliance with the *Government Auditing Standards* independence requirements. These checklists were not completed on three of the ten audits reviewed. Based on discussions with the members of the audit teams involved, we concluded that no actual impairments existed.

Recommendation - The OIG should reemphasize its policy on independence checklists and amend its audit review checklist to include a review item for the completion of the independence checklist.

Signature

⁵ This caption should be used only if a qualified or adverse report is being issued, and it should be tailored to fit the circumstances.